Best Practices in Performance Management

PREMIUM SPONSORS

Performance Tuning at Porsche

VURV

Porsche Cars North America, Inc. (PCNA) is the exclusive importer, marketer, and distributor of Porsche automobiles for the United States. Headquartered in Atlanta, Georgia, PCNA has three service training centers, five ports of entry and a network of "field" employees who provide sales, service, and parts support to 215 Porsche dealerships.

Porsche believes that employees must be as enthusiastic about their jobs as Porsche owners are about their cars. According to J. Heath Henson, Sr. HR Consultant for PCNA, "We believe the most valuable capital the company has is our loyal customers with their sense of Porsche responsibility, and the most valuable support for the organization is our work force and a tradition of outstanding performance."

In an organization like Porsche, it's all about performance – both in their cars and in their people. However, the system PCNA was using to measure employee performance was in need of an overhaul. "When I joined the company we were using an archaic system with lots of steps and a heavy process," recalls Henson. "The system didn't link to anything, we were losing critical information and reviews typically only reflected what the manager could remember in recent history."

When Heath joined PCNA he immediately recognized the need to help managers and employees communicate performance data, better support the entire review process, and standardize on a system that would eliminate the constant changes that were frustrating managers. "We also wanted to engage employees in the process," said Henson. "We really wanted to find a system that would get our employees involved, but it had to be one that was not so process heavy and inflexible that it wouldn't get used."

All Systems Go for an Internal Performance Overhaul

In May of 2006 PCNA selected Vurv Express Performance and rolled it out for all managers. "We wanted to make sure we got the managers on board first," said Henson. "We knew once the managers were behind the new system, we'd face much less resistance when asking employees to get on board."

Initial rollout was well-received by managers who immediately saw the system as beneficial to helping them complete the review process, rather than another mandated system that made the task difficult. PCNA did not require employees to complete self-reviews for the initial rollout, allowing managers to decide on the value of self-reviews. "We were surprised at the dramatic increase in employee participation," said Henson. "We left it up to the managers and we were very pleased with how many wanted to hear from their employees."

To combat any initial resistance from managers the Human Resources team took the time to educate managers by showing them the value of saving time and effort and how the system could help them organize their thoughts and manage the entire review process more efficiently. "Our managers run very lean here," says Henson. "Once we showed them how the system could save time and effort, the product sold itself."

Employee's Active Participation Enhances Efforts

PCNA took a slightly different angle to sell employees on the idea of taking an active role in their career development. "The review process for employees is no longer something that happens to them, but something they participate in," says Henson. "Encouraging employees to take an active role in their career development has really increased participation and managers actually like the fact that their employees are holding them accountable to address career development needs."

When PCNA selected Vurv they knew they were getting a system that would meet their needs, but were concerned about the possibility of managers over-relying on the Intelli-Text™ feature that automatically generates performance review text. "We were concerned that the canned text might be de-motivating for employees if over used," recalls Henson. "We were extremely encouraged to see managers using the system-generated text as a starting point and adding lots of comments and supporting examples. The reviews produced were comprehensive, professional and really focused on each individual employee."

Performance Data for the Past, Present and Future Facilitates True Talent Development

With a solid system in place for capturing performance measurement, PCNA is developing ways to use the competency scoring data to plan for the future. "We've used the system to look backwards for 12 months," says Henson. "Now, with the data collected, we can begin to look forward with competency-based development planning, career-pathing and succession planning."

Armed with the right tools, great team participation, and solid performance data, PCNA believes they can start the real process of talent development. "Getting data is the number one key to understanding your current employee population, their roles, competencies and skills," states Henson. "Being armed with the right information has allowed us to ask the employee development questions many organizations shy away from because they don't have a plan to take employees to the next level."

Each year PCNA has an Employee Track Day where each employee gets to experience the speed and performance of Porsche's magnificent cars. Employees can ride with professional drivers, on a world-renowned racetrack that showcases the capabilities of the 911 - allowing employees to experience top performance first hand. "At PCNA we're all about maximizing performance," says Henson. "Vurv Express Performance is allowing us to develop our people to reinforce Porsche as a high performance automotive brand." ■

Driving Business Results Through Pay-For-Performance

SUCCESSFACTORS

Today's successful small and mid-sized companies are tying compensation directly to employee performance to drive incredible business results. Once employed only for sales professionals, pay-for-performance is proving to be effective at all levels and in all functions of an organization.

Building a strong pay-for-performance culture is considered a top tool by senior executives for achieving better financial results. And for good reason: it has the ability to unlock employee performance potential, keep your "superstars" happy, and ultimately drive a healthier bottom line.

The Key Business Benefits of Pay-For-Performance:
Goal Alignment

Pay-for-performance is a key mechanism to align employees' goals with business objectives because it links rewards to performance which is most critical to your company. Communicating and tracking each employee's progress against company objectives is imperative and delivers a host of positive results:

- Employees become more motivated by understanding how their daily activities help drive overall business health
- Managers can continuously monitor employees' progress and offer immediate coaching to keep performance on track
- Creating cascading goals leads to shared responsibility between employees

Increased Motivation

A pay-for-performance system is a key element in getting employees to excel. How? By combining clear direction, quality feedback, tangible rewards, and recognition—a key component of job satisfaction and employee dedication. This builds a more satisfying relationship in which employees are inspired by knowing that management truly values their efforts.

Improved Retention

It's no secret that the key to retaining the best and brightest is recognizing and compensating top performers. According to Giga Information Group, retention can be improved by meritocratic management — or pay-for-performance — by up to 27%.

In a well-planned pay-for-performance system, managers have easy access to all the information they need to reward individuals for actual performance. This allows them to track employee's progress against performance goals and reward efforts according to defined expectations. Employees are, in essence, empowered to be in control of their financial situation, which many HR experts site as a key to maintaining the tenure of top-performers.

Cost Savings

A pay-for-performance culture can help your company save money in a way you may not think of: avoiding overcompensation. Companies waste thousands of dollars a year by rewarding individuals whose performance doesn't help achieve key business objectives. The ongoing accountability of a pay-for-performance culture helps avoid this pitfall.

Three Key Steps to Building a Successful Pay-For-Performance Culture

Pay-for-performance is regarded by many as an "art" that requires discipline and integration of three key areas of HR: compensation, goal alignment, and performance management.

Step 1: Compensation Planning

The first step to implementing a true pay-for-performance system is developing an overall compensation plan for the company. Most successful companies have based theirs on a "structured incentive scenario" – one in which employees understand ahead of time the precise relationship between performance and the incentive reward. A survey of companies across industries reveals two common approaches:

- Annual bonuses and merit increases — Based on a typical review cycle with performance ratings linked to organizational goals
- Goal-driven incentive plans —These fall outside the annual review process and are tied to achievement of specific time-based goals

Regardless of what you choose to implement, the key is that the policies are fair, consistently followed, controlled, and subject to review and oversight.

Step 2: Goal Alignment

After the compensation strategy is determined, company leadership must establish organizational goals through a clear mission. Many organizations suffer from a failure to communicate goals set by executive management. In fact, leading industry analysts estimate nearly 95% of workers are unaware of their company's top objectives.

Establishing a formal process of creating relevant goals for each employee and mapping those back to corporate objectives is crucial for establishing a true pay-for-performance culture. When managers and employees see the goal plan and understand how they fit into the company's business objectives, a pay-for-performance system begins to thrive and directly contribute to bottom-line results.

Step 3: Performance Management

The final step is putting a system in place to continuously measure and manage employee performance in a quantifiable way. Many companies fail to take this last step and end up with an arbitrary or subjective review process. Performance reviews have to be regarded as more than just an "annual event." This can be achieved by formalizing a process of performance reviews on a monthly, quarterly, or project-by-project basis. This will inevitably create a better dialogue between employees and managers.

Conclusion

By integrating these elements into your HR processes, your company can establish a true pay-for-performance culture. The result: a more energized and engaged workforce, retention of top talent, higher levels of performance throughout your company, and greater revenue and profits. ■

Unified Talent Management and the Holy Grail

LISA HARTLEY, DIRECTOR | TALEO RESEARCH

Fitting the right person to the right job at the right time has long been the Holy Grail of workforce optimization. Yet many companies that grasp for it come up empty. The search becomes exponentially harder as a business grows. The result? Human capital as a performance lever never quite performs to its potential.

Business Evolution

Let's think about the evolution of business disciplines. Manufacturing has gone through radical changes since the Industrial Revolution. Cars were once customized and cost up to $20,000 in yesterday's dollars. Then Henry Ford in 1908 delivered a car costing less than $400. The science of assembly line manufacturing changed the car business forever. But what about organizations? Before the 1960s, finance and marketing didn't exist. Those departments were called accounting and sales.

Like the lean manufacturing systems that optimized inventory management, we now have similarly modern financial and budgeting systems. We forecast and track spending to the penny, report precisely, and comply with regularity. Sophisticated customer relationship management systems track your identity, purchases, and motivations. The Internet facilitates marketing through metrics like open rates, A/B testing, and text optimization. In these areas, we have virtually eliminated risk and systemized the process.

HR + Business: A Love/Hate Relationship

But what about HR? Although Why I Hate HR (Fast Company, August 2005) was considered condescending by some, it did express frustrations that HR hasn't developed a more rigorous and scientific approach to people management. We know how to find, manufacture, sell, and deliver widgets using machines. But we still don't have expertise when it comes to finding, motivating, and keeping the people that make up our talent machine.

The good news? We have reached a tipping point. A new generation of tools her-alds a more sophisticated approach to talent management. Real-time systems that mirror staffing requirements with variations in customer demand are coming. New workforce planning applications are taking actuarial models from insurance risk mitigation and using them to model short and long term workforce planning. Companies like Aetna and Starbucks are taking notice.

Recruiting + Performance: A Talent Revolution

Talent management companies like Taleo are bringing the promise of supply chain management to human resources. Why is this revolutionary? Well, here's how it works today. When Sheila Brown comes onboard, we capture tons of relevant information including her skills, experience, demeanor, and job fit. Most of the soft information is lost immediately. The hard stuff—skills, licensing, and education—traditionally goes into an employee profile bucket in a big HR database. This is used once or twice a year for a performance evaluation and a merit increase. We also may collect certain competencies about Sheila that are appended to her profile. However they are not used to really differentiate her as a person because they are typically the same as everyone else. Sheila stays an average of two to three years with the company. But unless she is particularly motivated and engaged, we never use Sheila to her true potential. It's not Sheila's fault. It's the model.

How the Talent Pipeline Model Works

With the advent of integrated web-style applications, it can work differently. In the recruiting system, Sheila creates her own profile information through the requisition, assessment, and selection process. As a new hire, she makes regular updates because she knows it is exposed to others in the succession planning process. She also notes her own motivations and aspirations as part of her personal career planning and development portal. Sheila receives regular feedback and coaching from her managers and other mentors in her network. She tags her favorite peo-ple and uses them for her projects.

Sheila's manager can query that same audience about her skills and work performance. Her extended network includes people inside and outside her company. Corporate leaders know Sheila because they can access her skills, performance, pay rate, and availability. Through best fit search technology, they can take an active role in recruiting Sheila for new assignments. If Sheila is particularly good at her job, recruiting benefits too. They can clone her profile and use that information to create a job requisition that really identifies a best practice candidate—instead of the trite list of skills and competencies that has been copied over for a similar position.

Talent Management: What It's All About

As Knowledge Infusion's Jason Averbook states, "Building the talent pipeline model should be the number one commitment from leading edge software companies. Having updated information about the talent pool to be able to match external (candidates, contingent workers) and internal (employees) supply with workforce demand is what it's all about."

A few large global enterprises are already doing this with in house databases that help assemble project teams to match available work. For IBM, these databases have shaved 20 percent from the average time it takes to pull a team together and saved the company $500 million. But the trick is to bring this kind of technology to the everyday company—not just the 375,000 employee behemoths. While HR software companies may not have quite developed the Model T, stay tuned because it's closer than you think.

Lisa Hartley, Director, Taleo Research

Lisa Hartley has written extensively on Human Capital Management topics, including The ROI of Human Capital Management, Turning Analytics Into Action, The Hidden ROI of Talent Acquisition and Mobility, and The Value of Unified Recruiting and Performance. ■

Creating a Better Performance Management System

HALOGEN SOFTWARE INC.

Managing performance is one of the more complex activities for organizations, and one of the most important to undertake. The potential impact of the performance management process cannot be underestimated. The right performance management system will unleash human potential, while an inadequate one will have a negative effect on productivity.

Good performance management cannot be reduced to a "magical form," but rather is a process that provides feedback, accountability, and documentation for performance outcomes. It helps employees to channel their talents toward organizational goals. Investing in performance management can yield untold returns.

Here are the four steps to creating a better performance management system.

Step One: Review Current Practice

HR professionals should determine the goals of the new employee performance system. Usually the primary objective is productivity improvement and the need to help supervisors better manage the contributions of individual employees. Other organizational ends can be addressed, such as guiding employees' professional development, establishing core competencies, or providing a framework for succession planning.

The review process involves gathering and analyzing information from a variety of sources throughout the organization. It also involves examining the current system, identifying the pros and cons of using it, and seeing where past practice fell short. Before introducing a new system, business objectives must be defined. A better performance management process can save the organization time and effort, but it is also a major change. Business objectives, such as improved productivity or reduced labor costs, must be linked to the process.

Step Two: Engage the Entire Organization

The entire organization must be engaged in the performance management process for it to succeed. The culture of an organization affects how performance is managed. For example, in some organizations overtime is an exception, in others it is an expectation. Simply defined, culture is the personality of the organization. Therefore, engaging the entire organization is necessary in the performance management process.

HR demonstrates its strategic value to organizations by linking programs to business objectives. An important way to affect the bottom line is to be a champion of high performance. Good HR leaders will know what areas of performance must be addressed, and they will incorporate these points into the process

The best performance management system will not work if supervisors don't use it. Supervisors must be accountable for their participation in the process. One way to gain support is to get them involved in the design stages. The solution must be designed with supervisors in mind, as they are the primary customers of any management system.

The most valuable currency is knowledge capital. Employees know what they need to do, so the role of the supervisor is that of a coach. A performance management process would not be complete without a self-assessment. A best practice method of harnessing potential is to involve employees in the design of the process. They know what it takes to produce good performance and will have great ideas about how to help manage it.

When everyone is involved it creates an environment and culture that supports performance and drives productivity.

Step Three: Design a Tailored Solution

The performance management system that works in one company will not necessarily work in another. The best solution is one that meets an organization's objectives and fits its culture.

The business goals defined in the review process will help determine what elements are tracked and included. The 'magic' in performance management is not in the form, but in the process. The process should be designed with the organization's needs in mind and should enable managers and employees to better interact. Quality performance feedback is needed to improve performance.

Step Four: Eliminate Barriers to Participation

One of the major obstacles to good performance management is the time it takes. Organizations shouldn't create systems that attempt too much or require dozens of pages to be completed for each review.

There is no substitute for good supervision and timely feedback. Supervisors should provide feedback and track performance in real time. Using performance journals is indispensable. The information gathered can be used as the basis for making decisions about performance. Journals also facilitate the integration of supervision and performance management activities, simplifying the performance management process.

Managers and employees should only do tasks that add value. Regardless of the performance management process used, it makes sense to automate the process to reduce administrative tasks. Current performance management software systems eliminate much of the paperwork and enable managers to focus on feedback, holding employees accountable, and documenting performance.

A final advantage is that automation can also become a catalyst for organizational change. Current performance management software systems coax organizations into using expert models of managing performance. State-of-the-art processes are built in, thereby eliminating the need to reinvent the wheel. Software can make designing performance management instruments easy, provide useful tools for writing comments, create workflow tools that streamline efforts, provide reminders that ensure the process is followed in a timely fashion, and produce reports to enhance accountability.

Learn More

For the full whitepaper by Christopher D. Lee, Ph.D., SPHR, and to see how Halogen can enable you and your organization to achieve its business objectives visit us online at www.halogensoftware.com. ∎

For more information on the companies that contributed to this white paper, visit their web sites or contact them directly at:

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